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CAUSES OF TRUSTS.

BY

THOMAS G. SHEARMAN.

The twenty-first in a series of letters issued by the New England Free Trade League.

CAUSES OF TRUSTS.

Tariff most Fertile Source of Monopolies. Restriction the Foundation. True Remedy for Trusts. Repeal all Laws restricting Production and Trade. With Freedom of Competition, Trusts will dissolve like Snow in Summer.

By THOMAS G. SHEARMAN.

The oppressions to which the American people are subjected by the powerful combinations commonly, though erroneously, called "trusts" have been so effectively demonstrated in detail by previous articles in this series that no better statement of them could now be made. The evil is universally acknowledged by members of all parties, Republicans as much as Democrats or Populists. The real and only question is the ancient one, "What are you going to do about it?"

MORE RESTRICTIONS WILL NOT KILL TRUSTS.

The very foundation principle of these trust combinations is restriction. Probably on the theory that fire must always be fought with fire, every effort thus far made by legislature to destroy the power of so-called trusts has been in the form of still further restrictions. One restriction is piled upon another, and still a third upon both; and in this way it is somehow hoped that liberty will be established by multiplying restraints upon liberty. The commerce and trade of the country are tied up with chains by the trust monopolies, and then Congress and the legislatures seek to nullify the effect of these chains by chaining the chains. It is seriously proposed to restore free competition by prohibiting trust combinations from entering into competition. Laws have been passed for the avowed purpose of preventing combinations which control two-thirds of the production of any article from selling their goods in competition with the producers of the remaining third. It is no

cause for wonder that all the so-called anti-trust laws have resulted in ignominious failure, and that the number of trust combinations never increased so rapidly as since these laws were enacted.

There is but one remedy for slavery, and that is liberty. There is but one remedy for monopoly, and that is to set free those currents which have been restrained by monopoly. No combination can ever be permanently successful unless it is founded upon some monopoly of natural resources. In very rare cases such a monopoly is founded upon the extraordinary genius of one or two men. For this there is, and ought to be, no remedy. Nature makes it impossible that such a monopoly of genius should last more than a few years, and during that period its benefits will far outweigh all its disadvantages. Genius may have an occasional monopoly, but no one could long have a monopoly in genius. Nature is sure to produce a rival genius, who does in another way what the first genius did in his own peculiar way. This was strikingly illustrated in the history of the steel manufacture. Bessemer having invented one immensely valuable and cheap process for making steel, Siemens followed with another method, and Gilchrist and Thomas with still another.

The great monopolies of this country owe their existence to special unjust privileges conferred upon them by a course of legislation which the people of the United States adopted of their own free will, and which are still maintained by the votes of the very people who most loudly declaim against monopolies. Foremost among these are the tariff laws, the internal revenue laws, and the patent laws. We shall briefly consider these in the order of the least important.

PATENT LAW MONOPOLIES.

Taking first the patent laws, which avowedly concede a monopoly for the term of seventeen years for good and solid reasons in each case, we have only to say that they afford a striking illustration of the dangers attendant upon any legalized monopoly, however meritorious. This is shown by a comparatively recent scandal with regard to a pretended conflict of claims in the Patent Office. Two opposing claims were secretly purchased by one corporation, which afterwards employed attorneys on both sides to keep up the sham contest for many years, resulting in a practical monopoly of a single invention for thirty years instead of seventeen.

By similar manipulations, other valuable inventions are monopolized for a much longer time than the law intends, while many others are simply locked up and kept out of public use entirely. The patent laws need a thorough revision, all in the direction of greater liberty. As we do not propose to discuss details on this occasion, we confine ourselves to saying that these laws should be so amended as to make it impossible for any monopoly to last under it for more than seventeen years from the date of the application for a patent, and so as to permit the use by everybody of all patented inventions upon reasonable terms, or, in some other way, patents should be prevented from supporting any monopoly for a longer period than the precise term prescribed upon the face of the statute.

INTERNAL REVENUE LAW MONOPOLIES.

The internal revenue laws, by the restrictions with which they surround the manufacture of liquors and tobacco, afford some great advantages to monopolies. As it is our object in this article not to specify any particular monopoly now existing, we prefer to illustrate the point by reference to the match manufacture in the days when there was an internal revenue tax of 1 cent a box. It is well known that the result of that tax was to destroy immediately all independent manufacturers, and to concentrate the business in the hands of two or three great corporations. When that tax was repealed in 1883, these monopolies fell of their own weight; and it was many years before they could be reconstructed. The present great combinations in the match manufacture are to be found in other laws encouraging monopoly, which are still maintained.

TARIFF THE MOTHER OF AMERICAN TRUSTS.

The tariff is the most fertile source of American monopolies. During the last thirty or forty years hardly an instance has been known in which an American monopoly has been denied any part of the benefits which it has demanded in the enactment of tariff laws. In 1890 and 1897 this rule was without any known exception. In 1894 there were but few exceptions. Tariffs are always made up by the very parties who are interested in preventing foreign competition and in securing for themselves a monopoly of the domestic trade. These facts and their effects upon the promotion

of monopolies have been shown so clearly by former writers in this series of articles that nothing more need be said here upon the point.

It is simply absurd to make any effort to prohibit or to regulate trusts and combinations while their causes are left untouched. If the American people shrink from competition with other nations of the earth, and deem themselves justified in preventing such competition by force, they have no moral right to complain of American capitalists who take advantage of the laws which prevent foreign competition to make of them instruments to prevent domestic competition also. Neither have Americans who believe in preventing foreign competition by force any moral right to complain of capitalists who prevent domestic competition by fraud. The one is just as moral or immoral as the other.

FUNDAMENTAL REMEDY.

And thus we come at last to the fundamental remedy which is needed. The fundamental cause of American monopolies is to be found in the lack of honesty, justice, business courage, and love of fair dealing, which is unfortunately characteristic of a vast majority of the human race, not excepting the people in the United States of America. Whenever a majority of the American people demand simple justice, *neither more nor less*, for themselves, all these questions will be speedily settled, and trusts will dissolve like snow in summer. For any man who demands and receives exact justice for himself, *and no more*, necessarily concedes precisely as much to every one else; and, if no man received any more than justice, every man would receive justice. No right can be taken away from any one man without conferring more than his right upon another. It is as impossible to give less than justice to all men at once as it is to cut off a section of the air and destroy it, leaving a blank.

The inconsistency of any man who demands that competition shall be free when it works in his favor, but shall be prohibited when it works against him, is obvious. But it is not so obvious to the ordinary mind that it is equally absurd to insist upon freedom of competition within the borders of the United States while excluding competition from without. Nevertheless, the exclusion of competition is quite as unjust and injurious in the one case as in

the other, and the demand for freedom of competition at home while denying freedom of competition from abroad is absurd and suicidal. The laws of nature cannot be persuaded to work only half-way. No man can take poison, and yet enjoy good health. No man can enslave another, yet remain entirely free himself. Neither can any man or nation draw an artificial line, and say, "Within these boundaries competition shall be perfectly free, but outside of these boundaries there shall be no competition at all."

The remedy, and the only remedy, for the evils of domestic monopolies is the repeal of all laws which pretend to give to any man, rich or poor, American or European, any protection against natural competition, any artificial monopoly of natural resources, or any advantage which is not thrown open on equal terms to all human beings.

Who would be freemen must set all men free.

New York, April 5, 1900.